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GENERAL

1. Council of Foreign Ministers--Dunn reports that the Deputies at the Council of Foreign Ministers are encountering difficulties in the consideration of important problems and that unless there is some improvement the Council will not finish its work by 1 May. As an example he cites the disagreement among the Deputies on the proposed visit of the Allied Boundary Commission to Venezia Giulia. In this instance, while the French agree in general with British and US views, they take the position that in selecting an ethnic boundary line between Italy and Yugoslavia, the Commission must take care that such a line is not geographically and economically absurd. The Soviets, however, insist that the only area in dispute is that between the Italian ethnic line (as proposed by Italy) and the line delimiting the greatest extent of Yugoslav claims.

2. Restitution of Danubian vessels--Erhardt reports from Vienna that Czech and Yugoslav vessels held by US forces in Austria have not been returned because of the Soviet opposition to free navigation on the Danube and because movement below Tulln is physically impossible. While the Czechs do not seem anxious for return of their vessels at this time, the Yugoslavs have pressed for the return of their ships (which Erhardt believes would come under Soviet control). USFET has suggested that Yugoslav and Czech vessels in Austria be returned along with those in Germany, but US Forces Austria does not concur. Erhardt recommends that the subject should be treated uniformly in Germany and Austria, taking into consideration the political aspects of Soviet policy regarding the Danube.

3. US Army releases exceed six million--The War Department reports that 6,095,038 Army personnel were discharged between 12 May 1945 and 15 February 1946.

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4. CZECHOSLOVAKIA: Czechs protest US removal of documents--The Foreign Minister on 18 February formally protested to Embassy Prague the removal on 12 February of certain documents from Czech territory by an American detachment. A prompt investigation and return of the removed material were requested.

Murphy reports that the expedition was organized by G-2 USFET, which obtained permission for the party to enter Czechoslovakia, but did not ask Czech authority to remove documents for fear of jeopardizing the project. Steinhardt has learned that the French had disclosed the location of the cache to both USFET and the Czech Government. Although the precise nature of the documents was not known in advance, Murphy reports that they appear to include the archives of the Protectorate; Gestapo, SD and SS records concerning Bohemia and Moravia; the official papers of President Benes, 1918-1939; and his personal files, 1928-1938.

Murphy and McNarney propose that the affair be discussed, on a military basis, with the head of the Czech military mission in Berlin. McNarney believes that no apology will be required once the Czech government understands the circumstances and motives, and agreement is reached on sharing or return of the documents. Authorization of an USFET press release with Czech concurrence is urgently requested to quiet speculation on the subject.

5. YUGOSLAVIA: Troop movements--The US Military Attaché in Belgrade quotes reliable reports that Yugoslav troops are concentrated at Habor (near the Austro-Yugoslav border, about 125 miles northwest of Trieste) and that considerable forces are already moving or about to move from the Belgrade area toward Slovenia and Trieste. Ambassador Patterson at Belgrade comments that whatever significance these movements may have, the US will not precipitate any action without Soviet approval. He notes as possibly significant the fact

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that the Soviets recently presented to the UNO the protest of the Yugoslav Government against the presence of Polish troops in Italy.

6. POLAND: Mikolajczyk's views--Embassy Warsaw has been told by Mikolajczyk that certain Polish Government officials have attempted to bring pressure on him to deny that the security police have participated in political murders, but that he refused to do so. About two weeks ago, Mikolajczyk adds, the Soviets and certain Polish Government officials planned a series of incidents in order to create a serious internal situation which would justify Soviet action to suppress trouble. Mikolajczyk declares that these plans were thwarted by US and UK investigations in the areas concerned. He says that his party continues to consider unacceptable a single list of candidates. He feels that if the US Government opposes single lists as contrary to the Yalta agreement, it would be desirable to give that view publicity in the US press.
7. HUNGARY: USSR seeks economic control--A British Foreign Office official considers that the economic debilitation of Hungarian economy is a part of a Soviet plan, to bring Hungary within the Soviet fold. The rightist swing in recent elections, he feels, has dictated the present Soviet policy.
8. FRANCE: Developments concerning French demands--According to Winant, French Foreign Minister Bidault, before leaving London, again asked Bevin for a prompt decision on the French Ruhr proposals. Bevin replied that he expected a Cabinet decision within a week.

The French have requested that the US make two separate studies of steel plant removals from Germany, one to assume the Saar as annexed to France and the other according to existing boundaries. The State Department concurs with General Clay that the survey should include the Saar in Germany.

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Blum has told Ambassador Caffery that he will urge Gouin and Bidault to accept Byrnes' request for French approval of a central German administration. Blum believes, however, that the US exaggerates the importance of this issue.

9. NETHERLANDS: Loan mission to US--Embassy The Hague reports that four Netherlands officials plan to arrive in Washington by 25 February to negotiate for a \$500,000,000 loan. Hornbeck has been told by the Finance Minister that the unfreezing of Netherlands assets in the US on 12 February and the \$50,000,000 Export-Import Bank credit granted on 15 February will not be sufficient to implement that country's vital economic reconstruction program.
 10. RUMANIA: Possible Communist move to restore Carol-- The British Foreign Office has learned that Ana Pauker, Rumanian Communist leader, was recently in Paris, where she remarked that ex-King Carol is a "much abused man" and that there is no reason why he should not return to Rumania. She is understood to have contacted an agent of Carol.
- FAR EAST
11. CHINA: Chinese factions strengthen Manchurian forces-- General Wedemeyer reported on 18 February that both Central Government and Communist forces, now building up their strength in Manchuria, appear to be avoiding large scale conflict until Soviet troops are literally and figuratively out of the line of fire.
 12. KOREA: Soviet pressure increasing--State Department representative Benninghoff reports an intensified pro-Soviet and anti-American campaign by Soviet authorities in North Korea. The Soviets are questioning Koreans regarding the distribution and conduct of US forces in South Korea. Soviet

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border control is reportedly tightening. Freedom of speech and all outside press and radio influences are suppressed.

13. **FRENCH INDOCHINA:** Annamese defense of Tonkin expected--US Mission Hanoi expects the Annamese to resist desperately any move by the French into Tonkin. The Chinese began the withdrawal of one of their armies on 15 February and the French are reported to have 5,000 troops on the frontier. Although this French force is believed destined for Laos, in northwestern Indochina, the leader of the Viet Nam Party has expressed a fear that it may be used to seize Hanoi. He is considering submitting the issue of Annamese independence to UN mediation.
14. **N.E.I.:** Sumatra cool to Java political movement--The US Consul General believes that even if the negotiations at Batavia break down, there is still a strong possibility of a separate agreement between Sumatran leaders and Dutch authorities.
15. **INDIA:** Bombay riots--CG, IBT reports definite indications that the current rioting by Royal Indian Naval personnel is politically inspired, probably by the Communists, and states that as yet no attempts have been made to arrest the rioting seamen, who are said to be taking orders only from their own Naval Strike Committee.

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